

Palouse River and Coulee City Rail Line



For More Information:

Mike Rowswell
Rowswem@wsdot.wa.gov
360-705-7930
www.wsdot.wa.gov/projects/rail/PCC_Acquisition/

WSDOT State Rail and Marine Office
360-705-7900
www.wsdot.wa.gov/rail



**Washington State
Department of Transportation**

WSDOT State Rail and Marine Office
PO Box 47407
Olympia, WA 98504-7407



**Washington State
Department of Transportation**

Palouse River and Coulee City Rail Line



The Palouse River and Coulee City (PCC) rail line is the state's longest short-line freight rail system and spans four counties in eastern Washington. In 2007, the Washington State Department of Transportation (WSDOT) completed the purchase of this rail line to save it from abandonment.

January 2008

Palouse River and Coulee City Rail Line

What is the Palouse River and Coulee City (PCC) Rail Line?

The former Palouse River and Coulee City (PCC) rail line is a 300-mile short-line freight rail system that provides direct rail service to shippers, manufacturers, and farmers in eastern Washington. The PCC is the second largest rail system in the state, and consists of three separate railroads located in Spokane, Lincoln, Grant, and Whitman Counties.

The lines indirectly serve hundreds of eastern Washington farmers through grain cooperatives that ship grain after purchasing it from the farmers. Although the lines are primarily used to haul grain, the operators of the three branches also handle fertilizer, raw materials for a bio-diesel plant, liquid propane gas (LPG), and lumber.

The three branches that comprise the PCC system are:

- **PV Hooper** branch that runs from Thornton to Winona, and from Hooper through Winona to Colfax.
- **CW** branch that runs from Coulee City to Cheney
- **P&L** branch that runs from Marshall through Pullman to the Idaho border near Moscow, and from Palouse directly east to the Idaho border where it meets a line owned by Watco Companies.

The portion of the PV Hooper branch that ran from Colfax to Pullman was severed by a fire that destroyed a trestle near Colfax in August 2006. The line is now used by the operator of the P&L branch for storage, and WSDOT is studying what to do with the line in the future.

Why did WSDOT purchase these lines?

In 2007, WSDOT completed the purchase of the PCC rail system from Watco Companies, Inc. (Watco). Watco could not economically rehabilitate or maintain the lines after it purchased them from major railroad companies. Those companies had also deferred performing maintenance because of economic viability issues. As a result the lines suffered increasing maintenance problems as they

deteriorated over time. After attempting to develop business for a number of years, Watco finally considered abandoning the lines because they were not profitable. In making that determination, Watco cited the expensive maintenance conditions mentioned above, increased competition from the existing truck-to-barge shipping mode, and the truck-to-Ritzville rail shuttle operations that began in 2002.

When grain shippers and other rail shippers learned of the possible abandonment, they urged the state to purchase the lines to allow continued access to rail shipping, to preserve the rail infrastructure for future use, and to protect highway infrastructure from overuse.

- **Rail Access** - Growers in eastern Washington asked that the state intervene to keep all of the lines operational to provide competitive shipping alternatives. The grain cooperatives expressed concern that truck-to-barge rates and truck-to-Ritzville rates would increase if the lines were not available to ship their product.
- **Protecting Infrastructure** - WSDOT indicated the lines may be of future importance for emerging industries such as biodiesel. If the lines were to leave state control, it would be challenging to protect them from abandonment which would make it difficult and very costly to re-acquire. The closure of the lines meant that traffic would be diverted to surface streets, with the potential for seasonal road closures, congestion, and increased maintenance costs.

How Much did the Lines Cost?

\$5.8 M	Purchase of the PV Hooper and P & L Branches in 2004.
\$11.3 M	Purchase of the entire CW Branch and additional property, and the operating rights in the other two branches in 2007 (Note: \$9.6 M spent thus far; an additional \$1.7 M remains).
\$3.6 M	Fund provided in the 2007-09 biennium for immediate rehabilitation.
\$7.0 M	Provided in the 2007-09 biennial budget as available to a rail district or intergovernmental entity to rehabilitate the lines after such entities are formed.
\$27.7	Total

Who is going to operate these lines?

As part of the purchase agreement, Watco will continue to operate the PV Hooper Branch under a lease signed with the state in November 2004 and modified in 2007.

Washington and Idaho Railway Inc., located in Marshall, Washington, was selected to operate the P&L Branch beginning in June 2007 under an operating lease from the State. The company is affiliated with the BG & CM Railroad that operates in Idaho. It had operated the P & L Branch since October 2006 under a sublease from Watco.

Eastern Washington Gateway Railroad, located in Cheney, Washington, was selected to operate the CW Branch beginning in June 2007 under a state lease agreement. It is a subsidiary of US Rail Partners, Ltd. headquartered in Illinois.

What is WSDOT's current role in operating these lines?

WSDOT selected new operators for the CW and P&L Branches. Watco continues to operate the PV Hooper Branch. WSDOT oversees the operators' compliance with provisions of leases negotiated with them for line operation. It also oversees Watco's operations on the PV Hooper Branch.

What is WSDOT's action plan?

WSDOT recently began a process to identify areas along each branch where rehabilitation is urgently needed. WSDOT performed an independent review of the lines, reviewed track repair documentation, and solicited the opinions of the operators. The information will be used to select the most urgent and beneficial projects. The projects will begin in late Spring 2008 and conclude by the end of September.

WSDOT is working with local governments to discuss formation of an intergovernmental entity to govern the three branches. When such an entity is formed, it will assume responsibility for the former PCC system. WSDOT will continue to oversee rehabilitation work for the system.

The trestle just east of Colfax that was destroyed by fire in August 2006 severed the PV Hooper Branch from the P&L Branch. It will cost between \$1.5 million and \$2.0 million to replace. WSDOT is studying the possibility of reconnecting the branches by reconstructing a rail alignment between Thornton and Oakesdale or Thornton and Rosalia.

